SECRETARY OF DEFENSE WILLIAM J. PERRY
REMARKS TO CANADIAN PREPAREDNESS ASSOCIATION, WITH QUESTION-ANSWER PERIOD
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Thank you very much, Norm, for that warm introduction. I'm just delighted to be here in Canada. For one thing, it gives me an opportunity to renew some old friendships. John deChastelain, Bob Fowler. I was particularly pleased to have a chance to renew my acquaintance and friendship with Lew Crutchlow. Lew and I were the armament directors for Canada and the United States respectively back in the late '70s. We did a lot of damage together back in those days, I'd say. (Laughter)

In addition to that, I've had an opportunity to form some new friendships, and I wanted to note particularly the opportunity to develop a close friendship and working relationship with David Collenette, who is your Minister of National Defense, and the other members of the Defense Staff. We had what I would call outstanding meetings this morning, spent the whole morning going over issues of substantial significance and substance in the areas of cooperation between our two departments. And on a scale of one to ten, I would rate this meeting as a ten -- a very, very effective meeting. And we have more to go this afternoon.

In two weeks time, both Minister Collenette and I will be joining the President and Prime Minister respectively, to travel to Normandy to commemorate the 50th Anniversary of the D-Day landing. That day, the longest day, was a turning point in a titanic struggle against forces of tyranny that were bent on world domination. The day was won by American, British, and Canadian forces who stormed across the beaches at the western edge of Europe.

In honoring D-Day and its heroes in Normandy, we will pay tribute to the good that nations can do when they join together to deter and to defeat aggression and to defend freedom and security. This is the legacy of the U.S./Canadian defense relationship.

(Applause)

We have fought together in two world wars, in Korea, Desert Storm. We've been partners in North America's defense for nearly four decades. Together, we have formed the North American pillar of NATO, which is the most successful alliance in the history of the world. Now, more recently, we have joined together in free trade, which is a cornerstone both of our economic and of our national security.

In a world of increasing regional rivalries, our political, economic, and security relationship provides a wonderful model of cooperation and friendship, and this is absolutely crucial to this post Cold War era, because many of the challenge we will face will require a multilateral response in which a strong U.S./Canadian defense relationship can play a very important role, because we have new reasons to maintain a strong defense posture, to keep both of our armed forces ready, strong, and effective.

To be sure, the security problems we are facing today are very, very different from the ones we faced during the Cold War. We are confronted with regional conflicts, we're confronted with civil wars, and all over the world, we're confronted with the need for soldiers who can keep the peace. All of these require the United States and Canada -- as bilateral defense partners and as NATO allies -- to maintain robust, flexible, and sustainable military forces.

For the United States, and indeed for many of our allies, the new challenges require us to reformulate our security policies and defense structures. In our country, we did this last year in what we called the Bottom-Up Review, and Canada is now undertaking a similar review.

So I would like to take this opportunity to give you a sense of America's security priorities and how we plan to achieve them by focusing on what I consider the three major objectives that I have as the United States Secretary of Defense.

My first objective is to prevent a reemergence of the nuclear threat that attended the Cold War. Today there is only one country -- Russia -- that has a sufficient number of nuclear weapons to threaten not only the national survival of the United States, but indeed, the survival of civilization and the world as we know it.

But the good news is, Russia is no longer an enemy. Indeed, they are working with us as partners. The bad news is that in Russia and the other countries of the former Soviet Union, the political, the social, and the economic reforms that are underway have a very uncertain outcome.

In the 1930's, an Italian philosopher Gramsci said, "The old is dying, but the new cannot yet be born, and in the meantime, a great variety of morbid symptoms appear."

Ironically, Gramsci was talking in the 1930's about what he imagined was going to be the demise of capitalism; but his words are a perfect fit for the 1990's, for the actual demise of communism. But the morbid symptoms he was talking about, any traveler to Russia or Ukraine today can see. We see a country with deeply divided political systems, profoundly disaffected elites, political uncertainty, social dislocation, and of course, great political instability. Meanwhile, in the face of these instabilities, Russia continues to have about 20,000 nuclear weapons, and that is the crux of the problem.

Therefore, our policy in dealing with Russia has to take into account both the promise that came with the end of the threat of nuclear holocaust and the danger of its recurrence. So our efforts are divided. They're directed, first of all, to doing what we can to prevent a recurrence of that nuclear threat; and secondly, trying to nail down the gains that we've already achieved.

For example, we have vigorous programs underway in the Defense Department using defense dollars, defense resources, to help the Russians dismantle their nuclear weapons. We're also helping them convert their defense industry, and we're helping to reform the former Red Army so they can operate under a democratic government and civilian leadership.

The Russians have already responded to some of these overtures. For example, the Russian Minister of Defense, Grachev, has committed his nation to join NATO's Partnership for Peace initiative. And just next week, Minister Collenette and I will go to Brussels for the NATO meeting, and at that meeting, Minister Grachev will brief us and the other allied Defense Ministers on the Russian military doctrine. This would have been an unlikely scene just a few years ago. The head of the Russian military in NATO's headquarters briefing on Russian military doctrine, but that's what David and I will be hearing just next week.

To the extent that we can help Russia dismantle its nuclear weapons, convert its defense industry, and reform its military, we are promoting a safer and a more secure world for the Russians, for ourselves, and for our allies. The policy by which we do this, we have a name for. We call it our "pragmatic partnership." It's pragmatic because of the results we are seeking to achieve, and it's a partnership because we have to work together with Russia to make this happen. Certainly we cannot do this by ourselves, and the Russians, as it turns out, cannot do it by themselves either.

We recognize that anything we do with Russia, we cannot control the outcome of the struggles going on in Russia today, but we do believe we can influence that outcome, and we believe that we must try. The stakes are so great that we must try.

Now let me turn to my second objective. The second objective is reformulating a policy for the use, and the threat of use, of military power during post Cold War military contingencies. In all of the contingencies we have faced, actually since the 2nd World War, we have limited political objectives and therefore, accordingly, have used limited military power.

If we compare this with World War II, we had very simple, direct objectives. It was complete and total victory. Unconditional surrender of the Nazis was our objective in World War II. What were our constraints on the military power? Essentially, none. We used all military power that was available to us, including in the last phases of the war, nuclear weapons.

The security challenges we face today are very different. Today's problems, as we see them, do not threaten the national survival of the United States. And therefore, while they may be in our national interest, they are not in our supreme national interest. Each one of the situations we look at is different, but they all have one thing in common. That is, they have a limited political objective; and therefore, the use, or even the threat of use of military power has to be very selective and very limited.

I point out to you, that has been true in every war, in every peacekeeping operation with which we've been involved since the Second World War -- including the Korean War, including the Vietnam War, including Desert Storm. In each case we've stopped short of using military power to the full extent that we were capable of using it.

Besides the participation in these regional conflicts in which we've been involved, we are also participating in a full range of peace operations when we believe it is in our national interest to do so. As you well know, these types of operations are becoming much more prominent.

In 1990, just as the Cold War was ending, the United Nations had fewer than 10,000 peacekeepers deployed around the world. Would anybody care to guess at what the number is today? We've had mission creep, so to speak here, because the number now is up to 80,000. So from 10,000 to 80,000 in four years time. This is directly attendant to the ending of the Cold War.

During the Cold War, first of all, the super powers had some way of keeping a cap on some of these conflicts; but secondly, even when the conflicts did occur,

they were seen in the context of super power confrontation. Now it's very different. Now we see these regional conflicts and civil wars and ethnic conflicts underway, and they are no longer super power confrontations. Indeed, Russia and the United States in many cases are cooperating in trying to find a way of bringing these to an end.

I want to take this opportunity particularly to applaud Canada's record of commitment to multinational peacekeeping. From the first days of the United Nations when military observers were first sent to quell the uprising in Palestine, Canadians have been there -- even in times and places where there was little peace to keep.

Over the years, more than 100,000 Canadians have been involved in peacekeeping operations. Just last week our Ambassador to the United Nations, Madeleine Albright, met with your Prime Minister to Discuss the establishment of an international peacekeeping force in Haiti once the military is forced from power. Canada has the experience, the expertise, and the solid reputation that can help make this operation a success.

So one of the messages I wanted to bring to Canada on my visit here today is, Canada, the United States and indeed, the whole world, thank you for your peacekeeping efforts.

Just a few weeks ago, President Clinton issued a directive to guide our decisions on future peace operations. This directive is a major step forward in our preparation for the post Cold War world because we will continue to face situations where the use of all-out military power is not appropriate. Not only will all-out military power not be appropriate, but in most cases, we will not be operating alone. We'll be part of a multinational force.

Consequently, the best response, and the most effective one, to the problems we see in the world today, the peacekeeping problems in particular, is going to be multilateral. And like Canada, we in the United States have come to recognize this.

I would observe to you that with Canada's expertise on multinational peacekeeping operations, you bring a lot to the table. Today, more than 2,000 Canadians are proving this in Bosnia and Croatia. I'd like to take a few minutes to point out what the U.S. role in Bosnia and Croatia is. And notice that this is a case that for us requires a very limited use of military power for very limited political objectives. I think that issue is well understood in this room. It's not well understood around the world. Let me try to make that case as clearly as I can.

When I explain our objectives, I start off by saying what they are not. We do not have an objective of becoming a combatant in the war in Bosnia, and therefore, we're not out to win a military victory. So that's a statement of what our objective is not.

How can we state it in positive terms? What are we trying to accomplish in Bosnia?

To begin with, we want to take every action which we can to make it possible for the combatants in that operation to reach an agreement to stop the violence, cessation of hostilities, and then achieve a sustainable peace agreement. Our primary objective in Bosnia is to drive towards this peace agreement. But we believe that this is going to take some months. Therefore, while this process is going on, our objective is to limit the violence and the casualties, and in particular, to limit the civilian casualties that are taking place.

Ironically, military power can play a role in that latter objective, and we have committed the application of American air power within NATO air forces in Italy and in the Adriatic Sea, with four specific objectives.

The first of those is to stop the aerial bombardment of cities in Bosnia by enforcing a no-fly zone. Prior to the establishment of this no-fly zone a year ago, Bosnian cities were being regularly bombed by Serbian airplanes. Since the establishment of that there has been only one case of bombing of a Bosnian city, and in that case the planes that were doing the bombing were caught, and three of them were shot down. There's been no recurrence of bombing of Bosnian cities, so this is a clear objective of a military power used to stop civilian casualties, and it has been very effective.

A second goal is to stop the artillery bombardment of UN designated safe areas. We applied that, first of all, in Sarajevo, and that's off the front pages today. People have pocketed that without reflecting on how successful that move has been.

Let me just bring that into perspective for you. Just four months ago, the artillery shelling in Sarajevo often consisted of 1,000 rounds a day. Hundreds of people were being killed every week as a result of that. There was a total of almost 10,000 people that had been killed over the period of several years of bombardment that had been going on.

Since the enforcement of the no-fly zone, we have gone now 90 days without a single shell being fired into Sarajevo. This has been an enormously successful program.

Recently we have applied that to Gorazde, and to four other safe areas -- areas proclaimed by the United Nations to be safe areas.

Our third goal is to provide close air support when called upon by any of the UN ground forces that are under attack by any party . These airstrikes are conducted at the request of the UN ground commanders, and they're closely coordinated through joint targeting boards consisting of NATO and UN personnel. The goal there is to both curb the fighting and to protect the UN personnel.

Finally, we're using our Air Force to conduct a major humanitarian mission by airlifting and airdropping food, clothing and medical supplies to Bosnian towns cut off from the ground convoys. This has also been very successful.

If we add all of these together, a very strong argument can be made for the fact that these combined military missions have saved tens of thousands of lives in Bosnia in the last year or so. But the overall aim is in a multilateral framework to suppress aggression and support the humanitarian mission while we and others are working for a peace agreement.

I wanted to briefly describe one other military contingency in which the U.S. military force is a consideration, and that is the present crisis in Korea today. Let me describe that problem in simple terms. While it's not a simple problem, it can be described in simple terms.

The first and most fundamental point to make is that the North Korean army, which has over a million men, two-thirds of them are based within less than 100 miles of the border with South Korea. In military terminology, they are in forward deployment, lined up so they could conduct a short warning attack with very little warning.

They have substantially more artillery and substantially more tanks than the forces in South Korea. They have tens of thousands of special operation forces designed to go behind the lines and disrupt, and they've built tunnels under the DMZ. All of this represents a distinct threat to South Korea -- one which has been present for decades now, but one which has increased in intensity in the last few years.

Notwithstanding that description of the threat, it is very clear that the combination of South Korean and American forces could quickly and decisively defeat any such invasion from the North. But recently, in the last few years, there has been a new dimension to this problem, which has potential implications for the future. That is, that the North Korean government is proceeding with the development of a major nuclear weapons program which in combination with the

ballistic missile program they already have, poses a threat not only to South Korea, but to Japan and other neighboring countries in the Western Pacific as well.

The situation on the nuclear program today is that the North Koreans have built a large facility in a town called Yongbyon which consists of two different nuclear reactors, a large fuel reprocessing plant, radiochemistry laboratories, and high explosive facilities, the combination of which are capable of producing large quantities of weapon grade plutonium, and for which I can think of no other plausible explanation other than as the front end of a major nuclear weapon program.

These facilities in combination, when they get fully built and fully operating could produce perhaps a dozen nuclear bombs a year, so this is a significant, not a token, effort.

The objective of the United States has been to curtail this program before it gets truly started. We are doing this through diplomacy, and we're doing it in cooperation with the United Nations, in particular the International Atomic Energy Agency. As we speak, there are IAEA inspectors that were scheduled to arrive at Yongbyon. I believe they may already be there. Their job is to oversee or supervise a process which the North Koreans have stated is now going on, which is removing the fuel that is presently in that reactor. The reason we're so concerned in overseeing that is that fuel, if sent to the reprocessing plant and reprocessed, could make enough weapons grade plutonium for about or five nuclear bombs. We are anxious to ensure that fuel was not diverted to that purpose.

If the IAEA is able to conduct that inspection and give the United Nations assurances that that fuel was not being diverted, then that will be a substantial diffusing of the present crisis. But if the North Koreans do not allow the IAEA to make the necessary inspections, and the IAEA returns and reports that to the United Nations, then we will feel obliged to request sanctions be imposed on North Korea.

To put this matter in its full context, I should tell you that the North Koreans have stated that they would consider any imposition of sanctions to be equivalent to a declaration of war, so this action, if we were to take it, this request, then that would certainly increase the risk of a war. We may believe, and I do believe, that this is rhetoric on the part of the North Koreans, but we cannot act on that belief. We have to act on the prudent assumption that there will be some increase in the risk of war if we go to a sanction regime.

So this represents a very substantial, near term crisis which we're facing in the United States and in the world community today. It's particularly grave not only because of the very large conventional forces which North Korea has, but

because of the potential that there will be in, in time, an involvement of nuclear weapons.

Whatever risks we are facing by actions we take today, I believe they would be less than the risks we would face if we tried to face their program two years from now and three years from now after they had developed a substantial inventory of nuclear bombs and missiles for their delivery vehicles.

Now let me focus on the third objective which I described to you earlier, and that is to properly manage our post Cold War defense drawdown. Up until now I've been talking about policy and strategic issues, now I'm getting to a management issue, and one which affects people in this room probably more than the other two issues.

Managing the defense drawdown is not only important to me personally, but it occupies a lot of my time and my staff's time at the Pentagon. I'm sure Canada's own post Cold War drawdown occupies a comparable amount of time for Minister Collenette and his staff, the National Defense Headquarters.

Your comprehensive defense review is intended to help you do this drawdown right, and we look forward to cooperating with you where that can be helpful. But let me say this. From America's perspective as a bilateral and a NATO ally, we are very much interested in Canada maintaining strong, ready combat forces that can help meet post Cold War challenges. So however you proceed on that review, we hope that that is the goal of the review, to end up with strong combat forces in Canada.

I can identify and appreciate the challenge with which you're confronted. The U.S. defense budget between 1986 and 1996 -- a ten year period -- will be reduced by 40 percent, measured in real terms, once inflation is taken out of it. So there's a 40 percent real cut in the U.S. defense budget. This is a big reduction, and it's the third major drawdown we've had in the United States since the 2nd World War, so we have some experience with drawdowns of this magnitude.

After the 2nd World War, the United States went from arguably the most powerful military force in the world to a military that just five years later was almost pushed off the Korean Peninsula by a third rate regional power. And by stating those facts, I mean to suggest to you that we did not do the drawdown right after the 2nd World War.

After the Vietnam War we went through another drawdown, about the same magnitude as the one we're going through today. Five years after we started that drawdown our Chief of Staff of the Army, General Meyer, proclaimed that we had a "hollow" Army, and he was right. What he meant by that was that we managed to

draw down then by maintaining our force structure and by taking all the cuts out of the operational and maintenance account and the modernization account. You do not have to be military genius to predict what the result of that is going to be -- you have a large force, incapable of fighting. That was the direction that we were headed in the mid '70s as a result of those decisions.

Now we're going through the third drawdown, and this time we've got to get it right, and we are going to get it right. Winston Churchill during the 2nd World War was listening with some concern to a complaint being made by one of his staff about how the American forces were doing something wrong. Winston tried to calm him down and he said, "Don't be concerned about this. Americans will always do the right thing, after having first exhausted all other alternatives." (Laughter) I believe we have exhausted all of the other alternatives, so this time we're going to get it right, and we have made the over-arching decision this time to cut force structure and maintain military readiness.

I'll just give you two numbers to make the point, that in the defense budget which I submitted to Congress a few months ago, our FY95 budget, I called for a seven percent reduction in personnel, and a six percent increase in the operation and maintenance account. So if you measure it per unit or per person, we're talking about a 13 percent net increase in money that goes to readiness of the forces, as opposed to maintaining force structure.

Our goal then, whatever size our military forces, is to maintain a high level of training and effectiveness -- person for person, and unit for unit.

The test by which we will be measured at the end of this drawdown is whether we have been able to achieve that objective. That is, able to achieve a high level of force readiness which we were unable to do after the last two drawdowns.

One other way we're ensuring that the drawdown is done right involves an area of special interest, I think, to the CDPA. We need to maintain a strong industrial base that will give our forces and your forces the cutting edge technology they need. In order to do this, faced with the budget decline we're looking at. I've concluded that we will require dramatic and revolutionary changes both within the industry and within the Defense Department.

To begin with, our department must completely change the way that it buys weapon systems, supplies, and materials. Over the years we have developed a unique procurement system in the United States with special rules for defense procurement that are unheard of in the commercial world. To deal with these rules, industry has to set up special divisions or special companies that focus solely on the defense market. We have, by these rules, effectively precluded ourselves from going out and buying from the industry at large.

These rules, this defense-unique system perhaps was appropriate when we were buying $100 billion worth of equipment a year. We could set up the rules and create our own industry. Now we're buying less than half of that and the old system won't work. It costs too much in overhead for us, and it costs too much in overhead for our suppliers, and it isolates us from the cutting edge technology we need in the commercial sector, particularly in the fields of communications, computers, and software. It's in that commercial sector, not the defense sector, where the greatest advances in technology and productivity are occurring today. We need all of those advances in order to produce affordable and effective weapon systems with these smaller budgets that we now have.

The best way to tap the commercial sector is to integrate the defense industrial base with the commercial industrial base to create a single national industrial base, indeed, to create a single North American industrial base. That is, to put it in simplest terms, is the objective that we have with this reforming of our buying system. We want to have access to the North American industrial base, and we want to remove all of the restrictions which impede us as buyers to access to the space.

We're doing two particular things to make that happen, and I don't want to discuss them with you in detail, but I'll be happy to answer questions about them. The first is, we have requested that Congress change the laws which puts certain restrictions on how we buy things. I believe we will get, within the next few months, a new legislation from Congress which will give us considerable more authority to buy in the commercial sector than we have today.

The second thing we're doing is within our own responsibility, is changing the system specifications by which we buy equipment. The buying, procurement regulations are a problem imposed on us by Congress; but military specifications are a self-inflicted wound. We have done that to ourself, we've created them, and now all we have to do is uncreate them, and we're in the process of uncreating them and setting standards for our buying as industrial specifications, and only military specifications in very specialized and very limited cases.

We hope by this, then, that we will get the most advanced, affordable military systems, and the most competitive commercial products.

I applaud the CDPA's efforts to help your member companies diversify their markets, and I appreciate your support for a strong Canadian defense posture. The United States has counted and will continue to count on Canada to remain a strong defense partner. Together we have guarded North America's air space, shorelines, and waterways. Our forces have developed common procedures and practices allowing them to operate together anywhere in the world they're needed. And we've

created a strong North American pillar in NATO. All of that allows us to reach out to emerging democracies in Central and Eastern Europe. Together, we have a new opportunity to reach out to the emerging democracies in our own hemisphere to ensure peace, prosperity, and regional stability.

To further that end, I am suggesting that the United States and Canada propose a new annual meeting of the Ministers of Defense of the Western Hemisphere, so that we can begin to work together in this hemisphere just as we do in Europe.

I came to Canada to reiterate America's commitment to these critical elements of the U.S./Canadian security relationship. This is my first visit to a state since becoming Secretary of Defense to a NATO country. I wanted to start off with Canada where we have these long, deep bonds of friendship; where we have the NATO connection; and where we have the hemispheric connection.

Most critical of all, we're counting on Canada to join us in fashioning the strong defense capabilities that are required to defend North America and to meet our multilateral responsibilities in this new era.

I would like to conclude my talk with a favorite point of mine from Graham Greene, the British novelist. He said, "There always comes a moment in time when a door opens and lets the future in." The ending of the Cold War has opened such a door, and the future is out there, waiting to come in. Together, Canada and the United States can shape that future, rather than being shaped by it.

Thank you very much.

(Applause)

Q: You spoke in general terms about the threat. I wonder if you could get just a bit more specific and give us the American assessment of the submarine threat, and the consequent priorities that your Navy would put on ASW equipment.

A: I believe that the submarine threat will be with us for the foreseeable future, both with the United States and with Canada. What countries are associated with that threat and the extent to which those countries have hostile intentions to the United States or Canada is impossible to predict at this time. What is perfectly clear, though, is that submarines are and will continue to be a potent military capability, and that they will be widely proliferated throughout the world, and that indeed, the number of countries that have advanced submarines and advanced submarine capabilities will be much greater in the future than in the past, and that those countries will include countries which we today consider rogue nations, that have not previously had submarines.

So to put it in more direct terms, anti-submarine warfare will remain an important element of U.S. defense planning for the foreseeable future.

Q: (Inaudible)

A: There are two very different objectives that have some relation to each other. One of them is, I am determined to make a major improvement reform of the defense acquisition system which I referred to briefly in my talk. If the Administration can be effective in this, there are benefits that will accrue for decades to come afterwards, in terms of improved efficiency, of buying an improved capability of equipment in our armed forces.

The second is a question more related to personnel. That is, when I became the Secretary, I believe I inherited a military force in the United States Army, Navy, Marines, Air Force, which had some of the most effective, best trained, best disciplined, highest motivated personnel of any military force in the world. It has not always been so, but it is true today, and that gives our forces an enormous advantage over many other forces that they might have to face in the world. This is a legacy then, which I inherited, which I am determined to preserve.

It's particularly difficult to preserve that legacy in the face of drawdowns -- both personnel drawdowns and the implicit pressure for drawdowns in benefits that go with the military forces. So one of the greatest challenges I have is to maintain the morale and the very high level of effectiveness of the personnel in our armed forces today.

Q: Can you see any liberalization of the small business set-aside policy or (inaudible) policy?

A: I hesitate to make a confident forecast of that. (Laughter) I can tell you what my desires are, and I hinted at them in my talk, which is that I would like to see the North American industrial base available on an equal basis to the buyers in the U.S. Defense Department. Compatibly with that, I would like to see some significant part of the buying we do be focused on the support of small businesses. Different people have different reasons for wanting small business set-aside programs. Some people do it because they think they are doing the companies a favor, and it's a social benefit. I support them because I think it's doing the Defense Department and the country a favor. We have traditionally, in both the United States and Canada, seen most of the innovations, most of the new products, get started in small businesses. Therefore, to the extent that innovation is the lifeblood of our future, it is imperative that we keep a healthy small business.

One of the ways we can do that is through our small business set-aside program, which maintains competition, but it's competition limited to small companies that are, in many cases, companies that are getting started. So, it provides an incubator effect, you might say particularly on the relatively new.

So, A, I support small business initiatives, and I think we have a vigorous number of those in the Defense Department today. But secondly, I support the extension of that to North America, compatible with NAFTA, compatible with the programs we now have underway.

Q: Dr. Perry, as one of those that enjoyed the confusion or the contribution that you and Lew Crutchlow created years ago, I congratulate the two of you.

I was refreshed by your comments about changing the procurement system, but I guess I have a couple of questions. How do you inject into the military/civilian sector of both our governments and defense departments the necessary experience so that then you can start attacking this culture? If you don't do the first, I don't know how you do the second.

A: I'm not sure I fully comprehend the question, but let me try and answer and then you...

Q: The point I'm trying to make is that the civil sector is a different technology, different process, etc., which in general, defense departments are generally not too familiar with.

A: Let me make several points. First of all, some parts of our defense sector will continue to be, in a sense, a protected industry. The large system companies that are building nuclear submarines, for example; companies that are building tanks; companies that are building tactical fighter aircraft. Those are uniquely defense activities. Not only will they have some unique procedures about how they do their business, but we will feel a responsibility to protect that industry in the sense that we will be buying from them to keep the industry alive, even if our force structure requirements don't require a buy that particular year.

A case in point is that we have in the FY95 budget a request to buy another nuclear submarine, the SSN-23. We could get by waiting until the end of the decade to buy another submarine strictly from the point of view of force structure requirements. By that time, the manufacturing base for building nuclear submarines would have gone out of business, and the reconstruction of it, in the next century, would have been a well nigh impossible task. So some parts of our defense industry we will have to protect, but it would be a rather small part. Even those parts we want to give the capability of buying components and subsystems from the commercial market.

The second point, which is more directly related to your question, is how do companies now in the defense industry learn to work in the commercial industry. How do you get that cultural transfer?

We have underway a program called the Technology Reinvestment Program which is directed to that very specific question. In that program, we set aside over a billion dollars of R&D money, and we've invited proposals for technology that will lead to new products. We require that the product have both a military and a commercial application. We require that the commercial application be spelled out in a business plan which tells how you would bring it to the market. We require that the companies that make that proposal be teamed between a commercial and a military enterprise so that the marketing experience is brought into this business partnership, and we require that the proposing companies invest some of their own resources into it.

With all of those features, we have gotten thousands of proposals which says, first of all, that the industry is accepting this as a challenge that is worth rising to. And, secondly, based on the performance of the program in the first six or seven months of its operation, I would say this is likely to be a successful program. We would measure its success over the long term by whether it achieved what you're describing here, which is the ability of defense companies to work successfully in a commercial field.

My own assessment is that the key aspect of that is for them to learn how to market successfully in the commercial field. It's unlikely they will have those skills within their own company. It will require a business partnership with a company already in that commercial product to give them a chance. I also observe that most of the executives in most defense companies, I'm familiar with, are very smart, and are quite capable of learning. The environment in which they learn is the environment in which this business partnership is heading towards for commercial products, and has commercial marketeers working with them.

Q: I'm a longstanding member of the National Contract Management Association that I'm sure you're quite familiar with, Dr. Perry. From all the panels, studies, etc. that have been done for acquisition reform year after year, there have been many, many suggestions that have been, and everyone has applauded the suggestions, that they would help acquisition reform. Can you give us any particulars about what you intend to do, how you intend to go about making these reforms actually happen?

A: Let me tell about two specific management approaches that we're taking. This is not meant to be all-encompassing, but rather exemplary.

First of all, relative to the changing of specifications. We have established what we call process action teams which involve representatives from each of the services, as well as the Office of the Secretary of Defense. It involves people with program management experience and contract management experience. These process action teams have been working for the last seven or eight months, going through the whole panoply of military specifications, a spec at a time, to come out

with recommendations as to which of those specs can be eliminated altogether, and which can be replaced with the industrial specification, and which industrial spec is applicable.

The motivation for this exercise, which has not become a bureaucratic exercise, is the over-arching guidance that when we start implementing this program, the management principles for the program managers is that military specifications can be applied only on an exceptional basis. In other words, if they want to apply MILSPECS, they have to get a waiver.

What we're doing is turning the system on its head. Because today, a program manager can waive a military spec, but he has to get a waiver to do that. He has to present the reasons for doing that. In the future, he will have to present the reasons for using a military specification. So,those are the management actions underway to try to bring about a change in that particular area of the system.

In terms of the buying practices, everything there is going to, first of all, hinge on the changes in the law which allow us to really change over to commercial buying. But, probably the most important feature of the law that I think will be retained in the final law, is an authorization to use commercial buying practices whenever the product we're buying is a commercial product. It seems like a fairly simple and straight forward conclusion. We can't do that today. Therefore, that has precluded us from buying... We have to go out and buy MILSPEC tomato soup instead of Campbell's tomato soup. This will give us the authority to change that.

Secondly, it will give us the authority to use commercial buying practices on small contracts. Today we have that authority for contracts up to $25,000. The new law will change that and give us the authority to do it up to $100,000. Those will have a very large difference not so much in the big programs, but in the literally more than 100,000 contracts... We've estimated that that will change our buying practices, allow us to use commercial on more than 100,000 contracts. I have not been able to get a decent estimate on how much overhead savings that will involve, but it's a big, big number. Because anybody who has seen DoD buying procedures understands the amount of paperwork and staff work involved is substantial. So, being able to go from DoD buying practices to commercial buying practices in 100,000 separate contract areas is going to be a big savings in overhead.

Thank you very much.

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SECRETARY OF DEFENSE WILLIAM J. PERRY
QUESTION-ANSWER PERIOD FOLLOWING REMARKS TO THE CANADIAN PREPAREDNESS ASSOCIATION, WITH CANADIAN DEFENSE MINISTER DAVID COLLENETTE
OTTAWA, CANADA
MAY 17, 1994

Q. Doctor Perry, you mentioned the importance of Canada maintaining a strong military force. You've no doubt seen the cuts to our military that were unveiled in the spring budget. How would you rate Canada's strength right now? Does it need to be beefed up?

SECRETARY PERRY: The strength of Canada's forces are going to depend on how efficiently they can manage these cuts, just as in the United States where we had 40% cuts, which are very substantial cuts. If you do them efficiently, if you distribute them properly -- I would propose that Canada use the same test we used. That although your forces are smaller on a unit to unit basis, they maintain the same effectiveness, the same readiness.

Q. Doctor Perry, is Mexico a (inaudible) of the NAFTA, could be invited to these western hemisphere meeting on defense?

SECRETARY PERRY: Yes, of course.

Q. Minister Collenette, you said yesterday when you arrived that you all would discuss Haiti. Have you determined now whether or not Canadian forces will be used in a Haitian peacekeeping force? And, how large a force might be required?

MINISTER COLLENETTE: I really don't have anything more to add to what I said yesterday in the fact that Canada will not be part of any force that will install President Aristide in Haiti. But in any peacekeeping force that would be required to maintain order, Canada would certainly be willing to consider participating.

Q. How about the size of such a force?

SECRETARY PERRY: We don't have the force size. We didn't really discuss with our Canadian partners the size of the force. We discussed missions and functions of the force. A police mission, for example, would be a very obvious one, and there are various ways of sizing that which we did not discuss at the meeting today.

Q. Have you received any more signals from the Haitian military perhaps that he might be willing to step aside?

SECRETARY PERRY: There are only -- first of all signals that they may be willing to step aside may be a strong description of what we have heard. We have gotten two inputs that I'm aware of. First of all, the so-called "president" has suggested that perhaps Mr. Cedras should be willing to step down. We don't know what authority he had for making that statement whether he discussed it with Cedras so I would not place too much credence on that. Secondly, Prime Minister Malval has stated that he thought Cedras should step down. He made the statement, as you know, very critical of Cedras and suggested that he should step down. Those are really the only two solid indicators we have coming out. It's a situation which it's very hard to draw conclusions from the ambiguous signals that we're getting out.

Q. Minister Collenette, are you ruling out sending Canadian peacekeepers into Haiti?

MINISTER COLLENETTE: I thought I just answered that question. I said that we would certainly consider being part of a peacekeeping force should that need arise.

Q. Mr.Perry, would the Americans be satisfied if Canada would provide only our CMP officers to send to Haiti instead of soldiers?

SECRETARY PERRY: I don't think it's up to America to be either satisfied or not satisfied. If an international peacekeeping force is formed, we would expect that America would contribute some forces to it, and we would expect that Canada would. That would be something that would be negotiated, but it would not be for the United States to be making a judgement on what forces Canada thought...

Q. You're calling for Canada to be part of that force; would you say sending our CMP officers is sufficient or are you asking for soldiers?

SECRETARY PERRY: We're not specifying at this time. We think that's up to Canada to decide.

Q. Mr. Secretary, how long will the United States wait around until the military decides what it's going to do in Haiti? Do you have a game plan if they stay and you want them out?

SECRETARY PERRY: I don't want to comment on that question.

Q. You're asking Canada to provide a peacekeeping force when the military goes, yet you're not saying when the military is going to go or what you're going to do about it?

SECRETARY PERRY: We don't know when the military is going to go or how they're going to go. Nevertheless, it's not premature, I think, to be planning what a follow-on operation would be in terms of putting peacekeeping forces in.

Q. Mr. Secretary, what are you hoping and/or expecting to hear next week from Minister Grachev at NATO? You mentioned that he's coming.

SECRETARY PERRY: We're hoping to hear that Russia is prepared to join Partnership for Peace. We're hoping that he will bring with him the Russian application for the Partnership for Peace and that it complies with the provisions which have been set up by NATO for such applications. We also believe that Minister Grachev is going to present the NATO ministers a briefing on the Russian evaluation of its military planning, and we're very interested in hearing that as well. I think it has potential for being a remarkably interesting meeting.

Q. Mr. Perry, are you concerned that Canada is going to either significantly reduce its image in NATO or pull out of NATO? Are you concerned about that right now? Your speech seemed to allude to that.

SECRETARY PERRY: What I said in my speech I will say again now, is that we believe that through the many decades, our partnership with Canada both bilaterally and as allies in NATO, has benefitted enormously from Canada maintaining a significant combat capability, and therefore, we would hope that Canada would continue to maintain a significant combat capability in its forces.

Q. How do you measure that?

SECRETARY PERRY: I think that's up to them to make that measurement. Maybe Mr. Collenette will answer that.

MINISTER COLLENETTE: That's a question for another day.

Q. Mr. Secretary, you use the phrase "near crisis" in describing Korea. Why do you use that phrase at this time?

SECRETARY PERRY: What I mean to suggest by that term was the immediacy of the problem. The North Koreans have stated that they have already begun the defueling operation of the reactor. That's a process which has some specified timespan associated with it measured in weeks, not in years. Therefore, we have that number of weeks -- we don't know exactly what the number of weeks is -- but we have that number of weeks to get this problem resolved. If we don't have it resolved at the end of that time, then they may have processed this spent fuel into weapons grade plutonium, and we will have lost the opportunity then to have stopped that event from happening. So the issue is the immediacy of the activity that they have underway and the prospect that in a matter of some number of weeks from now, they may have actually taken the step of converting this weapons grade plutonium unless the IAEA inspectors are there to oversee it and to prevent the diversion of this spent fuel into weapons.

Q. Minister Collenette, can you tell us about the U.N. request for Canadian personnel to go to Rwanda, please?

MINISTER COLLENETTE: I've been busy with Secretary Perry the last couple days so I haven't seen any formal request from the U.N. about Rwanda, but certainly, we've been willing to do our bit there. I think I emphasized last week in the House in an answer to Mr. Bouchard that we are the only ones that are bringing in the relief there to Kigali. We have about ten people on the ground including General Dallaire, and we certainly would be willing to assist, but as to how much, I'd have to discuss that with my colleagues and the prime minister.

Q. What about communications personnel? Is that a likely scenario?

MINISTER COLLENETTE: That's obviously part of any assistance communications logistics.

Q. What about the flights? Will they continue after May 23?

MINISTER COLLENETTE: We signed off I think until the end of July. Last week we made a decision in the Cabinet that we would keep going until the end of July with the Hercules flights into Kigali.

Q. Untranslated question in French.

MINISTER COLLENETTE: No.

Thank you very much.

END